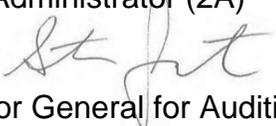




Office of Audits  
Office of Inspector General  
U.S. General Services Administration

DATE: July 7, 2017

TO: Frank Santella  
Acting Regional Administrator (2A)

FROM: Steven Jurysta   
Regional Inspector General for Auditing  
Northeast and Caribbean Region Audit Office (JA-2)

SUBJECT: Audit of GSA's Management of Excess Personal Property in the  
Northeast and Caribbean Region  
Audit Memorandum Number A160043

This memorandum presents the survey results for our audit of GSA's management of excess personal property in the Northeast and Caribbean region. We are issuing this memorandum to inform regional management of audit concerns that warrant immediate attention, as they may affect a planned building restack if not corrected.

The preliminary objectives of this audit were to: (1) determine the effectiveness of GSA's effort for ensuring that excess personal property resulting from the relocation of several tenants to One World Trade Center (OWTC) is effectively inventoried, transferred to authorized recipients, and disposed of in accordance with Federal Management Regulations (FMR), and (2) evaluate whether mechanisms are in place to safeguard property and monitor the inflow and outflow of excess personal property.

Our survey results show that GSA's plan to restack its tenant agencies (*i.e.*, relocate them within the same building) and renovate the vacated space at 26 Federal Plaza in New York City, New York, may be delayed by the ongoing disposal of personal property left by agencies that relocated to OWTC. Our survey revealed that GSA regional management does not have a formal plan that provides direction to regional staff to ensure the timely disposition of the excess personal property. Delays and unnecessary costs could occur if the remaining inventory is not disposed of before the restack planned for 26 Federal Plaza starts. In addition, regional staff efforts to dispose of the property have been hampered by inaccurate inventory records that were prepared by a GSA consultant. Finally, the security measures and policies in place to safeguard excess personal property need improvement.

## Background

GSA's Office of Personal Property Management assists federal agencies in disposing of personal property that is no longer needed through utilization, donation, and sales programs. According to GSA, these programs offer solutions for handling the disposal of all types of personal property in environmentally friendly and cost-effective ways. At the same time, they also help other federal agencies and state, local, and public organizations acquire these items. Disposal of excess property is governed by the Federal Management Regulations (FMR). The FMR prescribes policies concerning property management and related administrative services under the authority of the Federal Property and Administrative Services Act of 1949, as amended, 40 U.S.C 486(c).

In the first quarter of 2016, GSA, the Department of Homeland Security Customs and Border Protection (CBP), and the Federal Emergency Management Agency (FEMA), relocated from 26 Federal Plaza, 290 Broadway, and 1 Penn Plaza to OWTC to support the government's initiative to reduce its environmental footprint. An extensive amount of excess personal property, including among other things computer monitors, desk phones, and office furniture, were left behind as a result of these relocations – particularly at 26 Federal Plaza. GSA is responsible for the disposition of this excess personal property.

GSA is planning to reconfigure and renovate the vacated space at 26 Federal Plaza to facilitate the reduction of the federal government's footprint in downtown Manhattan, primarily to meet the long-term needs of the Federal Bureau of Investigation, U.S. Department of Health and Human Services, and the U.S. Army Corps of Engineers. This restacking and backfill plan will recapture hundreds of thousands of rentable and usable square feet of space, upgrade building systems, remove hazardous materials, and eliminate annual lease payments to the private sector. According to the informal milestone dates provided by GSA management and included in **Attachment 1**, the restacking effort is set to begin in August 2017. However, before starting this effort GSA must dispose of the significant volume of excess personal property remaining at 26 Federal Plaza.

In order to properly dispose of excess personal property, federal agencies are required to comply with the 4-step process for personal property disposal as outlined in FMR 102-36.35, summarized as follows:

1. ***Internal & Excess Screening*** – Agencies must first ensure personal property is offered for use elsewhere within their own agency. If the property is no longer needed by any activity within the agency, it can be declared as excess and reported to GSA for direct transfer to other federal agencies.<sup>1</sup> Education-related property may be donated to eligible schools and non-profit educational institutions via the Computers for Learning Program.

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<sup>1</sup> If the total acquisition cost is less than \$10,000 per line item, the owning agency may perform the direct transfer without prior GSA approval, but is still required to report the transfer to GSA.

2. State Level Screening (Surplus/Donation Program) – After a 21-day screening period (14 days if the property is furniture or computers), if GSA determines that there are no federal requirements for the excess property, the property becomes surplus and is available for donation through State Agencies for Surplus Property to state and local public agencies, non-profit organizations, and educational activities of special interest to the armed services.
3. Sale to the Public – Surplus personal property not selected for donation is offered for sale to the general public by competitive offerings such as sealed bids, spot bid sales, or auctions.
4. Abandonment and Destruction – If a federal agency is unable to transfer, donate, or sell federal personal property, it may make a written determination to abandon or destroy property that has no commercial value or for which the estimated cost of care and handling would exceed the expected proceeds from its sale.

In order to assist the personnel tasked with disposing of the excess personal property, GSA hired a contractor to perform a physical inventory count of all GSA, CBP, and FEMA personal property left behind as a result of the relocations. Subsequently, the contractor provided each agency with a master inventory list detailing all excess personal property at the prior locations. CBP and FEMA were responsible for providing GSA with their corresponding inventory lists as well as proper oversight of the disposition of their remaining inventory items that were still under their control.

## Results

### **GSA does not have a plan to dispose of the excess personal property at 26 Federal Plaza before the planned restacking.**

GSA's plan to restack tenant agencies and renovate the vacant space at 26 Federal Plaza may be delayed because GSA regional management does not have a formal plan that provides direction to regional staff in order to ensure the timely disposition of the excess personal property that remains.

After GSA and FEMA moved from 26 Federal Plaza, GSA was left with large amounts of vacant space as well as large amounts of excess personal property. To prepare the vacant space to be backfilled with new tenants, GSA is restacking so that large amounts of vacant space can be renovated in phases.

Prior to the relocation to OWTC, GSA's property disposal division, in a presentation to Region 2 staff, indicated that the entire disposal process at 26 Federal Plaza should take approximately 90 days. A property disposal specialist also provided us with a narrative, which reiterated that this process can take between 60 and 90 days.

However, over a year after the relocation, a large volume of excess personal property remains at 26 Federal Plaza and GSA has yet to develop a plan for the timely disposal of that property.

FMR 102-36.95 prescribes that the screening period for excess personal property is normally 21 days from when the excess property is reported to GSA. During this period, inventory is available for transfer to other federal agencies and, during the last 5 days of the cycle, for donation to State Agencies for Surplus Property. If property is not transferred or donated, it should be made available for sale on the *GSA Auctions* website.

However, GSA regional staff does not appear to be taking a structured approach to disposing of the excess personal property. GSA regional staff has been soliciting tenant agencies about their interest in the property primarily via “word-of-mouth” without any specific deadline for disposal. We observed that this process is still ongoing, as the remaining inventory has not progressed through the disposal process.

This unstructured approach may result from the lack of a disposal plan. Although GSA relocated to OWTC in January 2016, it was not until November 30, 2016, that regional management provided an informal timeline for the restacking plan to staff in charge of disposing of excess property (see **Attachment 1** for the current informal milestone dates for the restacking plan). Although the timeline includes important milestones, it does not provide direction to the staff on how to achieve them.

To dispose of the large volume of excess personal property at 26 Federal Plaza, GSA needs a plan on how to move the property through the FMR disposal process. The plan should also address the staffing and other resources that may be necessary to carry out the plan. Currently, there are only a few GSA employees devoted to this project. Given the associated effort necessary to account for and move this volume of property through the disposal process, the current staffing appears to be inadequate.

### **GSA’s effort to dispose of the excess personal property due to the relocation to OWTC has been hampered by inaccurate inventory records.**

GSA regional staff’s efforts have been hampered by the lack of accurate inventory for the excess personal property resulting from the relocation to OWTC. In accordance with FMR 102-36.5(e)(2), agencies are responsible for promptly reporting excess personal property to GSA when it is no longer needed by any activity within the agency. To facilitate this, GSA hired, and ultimately paid, a consultant \$130,733 to prepare a master inventory of the property for all three agencies that relocated to OWTC. The inventory was meant to be used as a mechanism to track the excess personal property as it moved through the disposal process. However, the consultant’s master inventory spreadsheets were poorly composed and lacked clear identifiers for most of the items. Further, the physical inventory items also lacked clear identifiers needed to match items to the master inventory spreadsheets.

Consequently, GSA regional staff developed alternative means of accounting for its remaining inventory while FEMA and CBP were still expected to inventory and report their excess property to GSA. GSA staff created annotated floor plans for each vacated room to account for remaining furniture. To keep track of all information technology (IT) equipment, they created supplemental detailed Excel spreadsheets. FEMA created its own inventory lists in lieu of the consultant's inventory while CBP failed to submit one, forcing GSA personnel to physically count CBP's inventory.

We conducted a physical count of sample items in ten rooms at 26 Federal Plaza to test the accuracy of the master inventory lists prepared by the consultant and found that most IT equipment, workstations, and other furnishings were not labeled. In addition, minimally-valued items and IT equipment that had already been transferred to Unicor Federal Prison, a component of the Federal Bureau of Prisons, for recycling could not be traced to the master inventory lists or other supplemental spreadsheets. This was because Unicor Federal Prison's receipts do not list individual items.

Our testing confirmed that the inventory spreadsheets created by the consultant were inadequate. We concluded that the alternative records created by GSA and FEMA staff were generally accurate and an effective method of keeping track of the remaining excess personal property.

### **The security measures and policies in place to safeguard excess personal property need improvement.**

The security measures and policies in place to safeguard excess personal property need improvement. Improving security measures will help ensure that GSA maintains control over the excess personal property and minimize potential theft.

PBS's Office of Facilities Management and the Office of Administrative Service's Facilities Management Division both play key roles in establishing measures to secure excess personal property. However, these offices have not developed an official policy or comprehensive written procedures to effectively secure the excess property. We observed that GSA has implemented physical security measures to safeguard the remaining inventory at 26 Federal Plaza; however, additional measures are needed. We interviewed GSA officials with access to the designated vacant areas containing GSA personal property and learned that GSA does not maintain a list of all personnel who have access to the vacant spaces. Furthermore, GSA has not implemented a process for periodically changing individual door security codes. According to officials, door security codes were only changed twice in the 6-month period after GSA relocated to OWTC.

*Standards for Internal Control in the Federal Government* prescribes that "Management should design control activities to achieve objectives and respond to risks."<sup>2</sup> In particular, it provides the following guidance for physical control over vulnerable assets:

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<sup>2</sup> *Standards for Internal Control in the Federal Government*, Principle 10 – Design Control Activities, Paragraph 10.01, *U.S. Government Accountability Office*

Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and **limited access to [emphasis added]** assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use.

Additionally, the FMR provides guidance and regulations over control of excess property. Section 102-35.20 defines control over personal property as follows:

“Control” means the ongoing function of maintaining physical oversight and surveillance of personal property throughout its complete life cycle using various property management tools and techniques taking into account the environment in which the property is located and its vulnerability to theft, waste, fraud, or abuse.

FMR 102-36.45 (2) further states that agencies have the responsibility to “Protect the property against hazards including but not limited to fire, theft, vandalism, and weather.”

Improvement in excess personal property security measures is necessary to ensure GSA maintains complete control over the remaining excess personal property to mitigate the risk of theft or other property hazards.

## Conclusion

GSA’s plan to restack its tenant agencies and renovate the vacant space at 26 Federal Plaza may be delayed by the ongoing disposal of personal property left by agencies that vacated the building. GSA regional management does not have a formal plan that provides direction to regional GSA staff to ensure the timely disposition of excess personal property in the building. Delays and unnecessary costs could occur if the remaining inventory is not disposed of before the restack planned for 26 Federal Plaza starts. In addition, the regional staff has been hampered by inaccurate inventory records that were prepared by a GSA consultant. Finally, the security measures and policies in place to safeguard excess personal property need improvement.

## GSA Comments

On June 15, 2017, the Regional Commissioner responded to our draft memorandum (see **Attachment 2** for a copy of the response). It provides comments and discusses, in general terms, the steps already taken to alleviate the issues we noted in our memorandum. The procedures discussed in the response appear sufficient to address the noted issues; however, as part of our ongoing audit fieldwork we will confirm the status of the procedures and determine their effectiveness.

This audit is managed out of the Northeast and Caribbean Region Audit Office. If there are any questions regarding this memorandum, please contact members of the audit team at the following:

Steven Jurysta	Regional Inspector General for Auditing	<a href="mailto:steven.jurysta@gsaig.gov">steven.jurysta@gsaig.gov</a>	212-264-8623
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## ***Attachment 1 – Draft “Informal” Milestone Dates for Restacking Plan as of November 30, 2016***

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GSA management in Region 2 has not provided personal property staff with any formal plan or “milestone” dates for the restacking effort within the vacant office space in 26 Federal Plaza. The attached represents the “informal” timeline provided by GSA management to a Region 2 personal property official as a general guideline for the ongoing restacking plan.

### **(1) August 2017**

- 30th Floor Build Out Complete/Relocate Furniture
- Relocate FEB Furniture from 17th & 18th Floor to 30th Floor
- Relocate FEB from 18th Floor to 30th Floor
- Relocate FPS District Furniture from Floors 16, 20 and 21 to 30th Floor
- Relocate FPS District from 21st Floor Swing Space to 30th Floor
- Relocate FPS Regional Furniture from Floors 16 and 21 to 30th Floor
- Relocate FPS Regional from 17th Floor to 30th Floor
- Relocate GSA-OIG Furniture from 20th & 21st Floors to 30th Floor
- Relocate GSA-OIG from 17th Floor to 30th Floor
- Relocate Credit Union from 17th Floor to 30th Floor (Using new furniture)
- All existing furniture that is not relocated with agencies will need to be excessed.

### **(2) December 2018**

- Floors 16th-18th Build Out Complete
- USACE relocates from Floors 18, 19, 20 & 21 to Floors 16-18 (new furniture)

### **(3) December 2019**

- Floors 20th & 21st Build Out Complete
- FBI relocates from leased space to Floors 20th & 21st (new furniture)

### **(4) February 2020**

- Floors 18 & 19 Build Out Complete
- HHS relocates from various floors to Floors 18 & 19 (new furniture)

#### **Legend**

FEB – Federal Executive Board  
FPS – Federal Protective Service  
FBI – Federal Bureau of Investigation  
USACE – U.S. Army Corp of Engineers  
GSA OIG – GSA Office of Inspector General  
HHS – Department of Health and Human Services

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## Attachment 2 – GSA Comments

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GSA Northeast & Caribbean Region

6/15/2017

MEMORANDUM FOR STEVEN JURYSTA  
REGIONAL INSPECTOR  
GENERAL FOR AUDITING  
(JA-2A)

FROM: FRANK SANTELLA  
ACTING REGIONAL ADMINISTRATOR (2A)

A handwritten signature in black ink, appearing to read "Frank Santella", is written over the typed name in the "FROM:" field.

SUBJECT: AUDIT OF GSA'S MANAGEMENT OF EXCESS  
PERSONAL PROPERTY IN THE NORTHEAST AND  
CARIBBEAN REGION AUDIT MEMORANDUM  
NUMBER A160043

I am writing in response to the Office of Inspector General (OIG) draft audit report, *Management of Excess Personal Property in the Northeast and Caribbean Region* (A160043), dated May 4, 2017. OIG released this memorandum to inform regional management of audit concerns that warranted immediate attention that, if not corrected, may affect a planned building restack.

GSA reviewed this report carefully and appreciates the OIG's timely sharing of its concerns. Even before receiving your memorandum, actions were taken to address the issues you found.

Responsibility for disposing of excess General Services Administration personal property was transferred to the Office of Administrative Services (OAS) in February 2017. Among the actions taken by OAS were to increase security over the storage areas and limit access to these areas only under the supervision of the Workplace Services Supervisor/Specialist responsible for personal property. OAS also completed a detailed inventory that documents each piece of furniture and equipment, supporting accurate handling and disposition tracking; developed a disposition plan that meets personal property disposal program guidance; and began the formal multi-step personal property disposal process.

It should be pointed out that the disposition of other agencies' personal property continues to be handled by the Federal Acquisition Service (FAS). When another

agency's personal property becomes excess as a result of relocation, the Public Buildings Service facilitates a handoff with the owning agency and FAS.

If you have any additional questions, please feel free to contact me at (212) 264-4285 or Mr. David Pritchard, OAS Supervisory Workplace Services Specialist, at (212) 264-2024.

One World Trade Center, Room 55W09  
New York, NY 10007-0089  
[www.gsa.gov](http://www.gsa.gov)

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